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Message Text

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R 181549Z APR 78
FM USMISSION GENEVA
TO SECSTATE WASHDC 8534
INFO AMEMBASSY BANGKOK
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USEEC

E.O. 11652: N/A
TAGS: UNCTAD, ETRD
SUBJECT: UNCTAD: SECOND MEETING OF THE WORKING GROUP ON
JUTE AND JUTE PRODUCTS GENEVA, APRIL 10 - 14

1. SUMMARY: THE SECOND MEETING OF THE WORKING GROUP ON
JUTE AND JUTE PRODUCTS TOOK PLACE IN GENEVA APRIL 10 - 15.
THERE WAS LITTLE SUBSTANTIVE DISCUSSION. THE EC PRESENTED
ITS SUGGESTIONS ON STABILIZATION MEASURES FOR RAW JUTE, BUT
PRODUCERS LIMITED THEIR REACTION TO PRESSURE FOR COMMITMENTS
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ON FINANCING AND THE FRAMEWORK OF AN AGREEMENT. PRODUCERS'
IMMEDIATE GOAL FOR THIS MEETING WAS AGREEMENT ON AN INSTITU-
TIONAL FRAMEWORK. THEY INSISTED ON A COMPREHENSIVE AGREE-
MENT TO INCLUDE ALL AREAS DISCUSSED: MARKET STABILIZATION,
R&D, COST REDUCTION AND HARMONIZATION. THEY INDICATED THAT
THEY INTEND TO BRING THE JUTE DISCUSSIONS BACK INTO THE G-77
POLITICAL ARENA, AND THATTHEY WILL PRESS HARD IN JULY FOR

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NEGOTIATIONS. THEY AGAIN REFUSED TO FURTHER DISCUSS R&D AND OTHER MEASURES, AND TOOK RIGID STANCES ON SEVERAL ISSUES. AT TIMES IT APPEARED BANGLADESH WAS INTENTIONALLY PUSHING THE MEETING TOWARDS A BREAKUP OR RESERVATIONS BY MAJOR DEVELOPED COUNTRIES. THE US WAS ISOLATED ON A NUMBER OF ISSUES WHILE THE EC WAS PREPARED TO ACCEPT MOST LANGUAGE EXCEPT IMPLICATIONS THAT A NEW COMPREHENSIVE BODY WAS AGREED UPON BY MEETING.

2. SUMMARY OF MEETING'S DECISION: THE MEETING RECOMMENDED THAT THE FOLLOWING POSSIBLE ELEMENTS COULD BE CONSIDERED AS A BASIS FOR AN INTERNATIONAL ARRANGEMENT OR ARRANGEMENTS ON JUTE AND JUTE PRODUCTS: MARKET STABILIZATION, R&D, COST REDUCTION, PROVISION FOR CONSULTATION ON COMPETITION BETWEEN JUTE AND SYNTHETICS, EXCHANGE OF INFORMATION, AND AN APPROPRIATE INSTITUTIONAL FRAMEWORK. WITH REGARD TO FRAMEWORK, IT NOTED TWO POSSIBILITIES: ONE AGREEMENT INCLUDING ALL AREAS, OR THE IMMEDIATE ESTABLISHMENT OF AN ARRANGEMENT ON R&D WITH DISCUSSIONS ON OTHER AREAS TO CONTINUE.

3. MARKET STABILIZATION - RAW JUTE: THE EC PRESENTED A PAPER ON POSSIBLE STABILIZATION MEASURES SUGGESTING A STRENGTHENING OF THE EXISTING FAO INDICATIVE PRICE ARRANGEMENT. THEIR SUGGESTIONS INCLUDED: A WIDER PRICE RANGE, AUTOMATIC CONSULTATIONS WHEN PRICES APPROACHED THE LIMITS OF THE RANGE, STOCKS DETERMINED AND HELD BY PRODUCERS, AND LIMITED OFFICIAL USE

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POSSIBLE INTERNATIONAL FINANCING. MOST EC DELEGATIONS BELIEVE THESE SUGGESTIONS COULD BE IMPLEMENTED WITHOUT A FORMAL AGREEMENT AND THE FRG AT LEAST HAS IN MIND IMPLEMENTATION THROUGH THE PRESENT FAO MECHANISM. THE EC INSISTED THAT IT WOULD NOT ELABORATE ITS PROPOSALS UNTIL THE GENERAL ELEMENTS HAD BEEN ACCEPTED BY PRODUCERS AND OTHER IMPORTANT IMPORTERS SUCH AS POLAND, PAKISTAN, EGYPT. PRODUCERS CONFINED THEIR COMMENTS TO REQUESTS FOR MORE INFORMATION ON FINANCING AND THE STRUCTURE UNDER WHICH THESE SUGGESTIONS WOULD BE IMPLEMENTED. NO OTHER DELEGATIONS COMMENTED. GIVEN THE EC'S REFUSAL TO ELABORATE ITS WORKING HYPOTHESIS, THE MEETING AGREED THAT THE UNCTAD SECRETARIAT SHOULD BUILD ON THESE SUGGESTIONS AND CONSULT WITH INDIVIDUALINTERESTED GOVERNMENTS IN THE PROCESS. THE RESULT OF THIS WORK IS TO BE PRESENTED TO PARTICIPATING GOVERNMENTS AT LEAST THREE WEEKS PRIOR TO THE JULY PREPARATORY MEETING. THE US STATED THAT, CONCERNING MARKET STABILIZATION, OUR EXAMINATION HAD NOT RESOLVED OUR DOUBTS THAT EXISTING PRICE INSTABILITY WAS EITHER AMENABLE TO INTERNATIONAL SOLUTIONS OR SUFFICIENTLY IMPORTANT TO JUTE'S COMPETITIVENESS TO JUSTIFY INTERNATIONAL MEASURES. THE US DELEGATE REPEATED, HOWEVER, THAT WE CONTINUE TO BE WILLING TO DISCUSS THIS QUESTION IF OTHERS SO

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DESIRE.
4. MARKET STABILIZATION JUTE PRODUCTS: BOTH THE EC AND THE US INDICATED THEY ARE NOT PREPARED TO CONSIDER STABILIZATION MEASURES FOR JUTE PRODUCTS AT THIS TIME. PRODUCERS AT INDIA'S INSISTENCE REQUESTED A STUDY OF POSSIBLE INTERNATIONAL FINANCING FOR RAW JUTE STOCKING IN PRODUCER COUNTRIES WHICH EXPORT ONLY PRODUCTS. CONSUMERS AGREED THAT THE UNCTAD SECRETARIAT SHOULD PRODUCE AN OUTLINE OF SUCH A STUDY WITH A DECISION ON THE STUDY ITSELF TO BE CONSIDERED AT THE NEXT MEETING.

5. FRAMEWORK FOR INTERNATIONAL ARRANGEMENT: PRODUCERS MADE CLEAR EARLY IN THE MEETING THAT THEY WISHED TO MAKE A RECOM-

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MENDATION FOR A COMPREHENSIVE ARRANGEMENT WHICH WOULD INCLUDE ALL AREAS DISCUSSED SO FAR. THEY STATED STRONGLY THEY WERE NOT INTERESTED IN ARRANGEMENT NOT INCLUDING STABILIZATION AND WERE ONLY WILLING TO CONSIDER SUCH IF AND AFTER NEGOTIATIONS ON STABILIZATION FAILED. US DELEGATE SAID WE

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COULD NOT AGREE TO RECOMMEND SUCH A FRAMEWORK AT THIS TIME GIVEN OUR DOUBTS ON STABILIZATION MEASURES AND THE LACK OF DISCUSSION ON OTHER AREAS. WE SAID WE WISHED TO KEEP OPEN POSSIBILITY OF PARTICIPATION IN ONE BUT NOT NECESSARILY ALL MEASURES. BANGLADESH WOULD NOT ACCEPT THIS POSITION. IN DISCUSSIONS ON THE MEETING'S REPORT IT STATED SPECIFICALLY THAT IT WOULD NOT ACCEPT EVEN GIVING EQUAL WEIGHT TO OTHER LIMITED OFFICIAL USE

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OPTIONS. IT WAS SUPPORTED IN THIS POSITION BY CHAIRMAN (MARTIN OF UK). EC ACCEPTED COMPREHENSIVE APPROACH ONLY ON BASIS THAT THE US OPTION WAS ALSO INCLUDED.

6. OTHER MEASURES: THE US DELEGATION TRIED REPEATEDLY TO DISCUSS THE AREAS OF R&D AND COST REDUCTION. THESE AREAS HAVE NOT BEEN DISCUSSED FOR ONE YEAR AND AGREEMENT ON THEM IS VERY GENERAL AND VAGUE. US MADE POINT THAT MORE AGREEMENT WAS NEEDED ON SCOPE OF THESE AREAS IN AN INTERNATIONAL ARRANGEMENT ON JUTE BEFORE THEY COULD BE RECOMMENDED AS ELEMENTS. PRODUCERS HAVE RESISTED FURTHER DISCUSSION ON THESE AREAS WITHOUT MORE AGREEMENT ON MARKET STABILIZATION. THEY REFUSED TO DISCUSS THEM AT THIS MEETING ALSO, BUT INSISTED ON RECOMMENDING THEM AS POSSIBLE ELEMENTS IN AN INTERNATIONAL ARRANGEMENT. THE US, WITH NO SUPPORT FROM OTHER CONSUMERS, WAS SUCCESSFUL ONLY IN KEEPING THE LANGUAGE OF RECOMMENDATIONS GENERAL, AND OBTAINING CONCESSION FROM PRODUCERS THAT COST REDUCTION IN AN INTERNATIONAL ARRANGEMENT WOULD BE RESTRICTED TO EVALUATION AND COORDINATION OF PROGRAMS.

7. COMMENT: AS INDICATED ABOVE, INCLUSION OF JUTE IN LIST OF PRODUCTS BY G-77 IN RECENT AD HOC INTERGOVERNMENTAL COMMITTEE (AHIC) AND AVOWED INTENTION TO PUSH TOWARD NEGOTIATIONS ON JUTE WERE CLEARLY IN BACK OF BANGLADESH'S AMBASSADOR KIBRIA'S MIND THROUGHOUT THE MEETING. WHAT HE COULD NOT ACCOMPLISH THROUGH NEGOTIATED DECISIONS HE INTENDS TO EXTRACT THROUGH PRESSURE FROM THE G-77. AMB KIBRIA RECENTLY RETURNED FROM A TRIP TO DACCA WHERE HE WAS REPORTEDLY GRILLED ON WHAT HE IS ACCOMPLISHING IN GENEVA. WHILE HE FELT UNDER PRESSURE TO DELIVER ON A COMPREHENSIVE ARRANGEMENT, IT WAS NEVER CLEAR THAT THE FORMULATION HE WAS PUSHING ACTUALLY REPRESENTED INSTRUCTIONS FROM HIS GOVERNMENT. (IN LIMITED OFFICIAL USE

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ONE INTERESTING INTERVENTION KIBRIA CITED RECENT TRIP OF PRESIDENT RAHMAN TO JAPAN WHERE JUTE WAS A PROMINENT ISSUE,

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IMPLYING JAPAN WAS COMMITTED TO A JUTE AGREEMENT. THIS CAME AS NEWS TO JAPANESE DEL WHO CALLED TOKYO AND LEARNED THAT SUBJECT OF JUTE NEVER AROSE). HIS ALL-OR-NOTHING APPROACH IS CLEARLY DESIGNED TO SEEK INSURANCE THAT A NEGOTIATING CONFERENCE INCLUDING STABILIZATION WILL BE HELD.

8. THE EC PROPOSAL IN ITS PRESENT FORM IS STILL LITTLE MORE THAN A DISGUISED AID MECHANISM. THE EC ADMITS IN PRIVATE THAT THE MECHANISM WOULD HAVE LITTLE STABILIZATION EFFECT BEYOND THE MARGINAL IMPACT OF THE PRESENT FAO SCHEME AS IMPLEMENTED BY BANGLADESH. IT WOULD SIMPLY PROVIDE SOME FINANCING FOR EXCESS STOCKS WHENEVER OVERSUPPLY OR A FALL IN DEMAND PUSHES THE PRICE TO THE FLOOR. THERE APPEARS TO BE LITTLE ELSE THAN IMMEDIATE CONSULTATIONS TO PREVENT PRICES RISING ABOVE THE CEILING. THE EC RECOGNIZES THAT THIS PROPOSAL IS FAR MORE MODEST THAN AMBASSADOR KIBRIA WANTS BUT FEELS EVEN MODEST INTERNATIONAL SUPPORT FOR JUTE STOCKS WILL BE ACCEPTABLE AS A FACE-SAVING DEVICE. INDIA THEN FACES A REAL DILEMMA. INDIA THREATENED TO WALK OUT OF THIS MEETING WITHOUT A STUDY ON JUTE GOODS AND THEN SETTLED FOR A MUCH MORE MODEST PROPOSAL. THE STUDY OF POSSIBLE STOCKING SCHEMES FOR RAW JUTE EXPORTING COUNTRIES WILL LAG BEHIND THE WORK ON RAW JUTE FROM BANGLADESH AND THE QUESTION OF JUTE GOODS IS ONLY LEFT OPEN FOR POSSIBLE FUTURE DISCUSSION. INDIA THUS FACES THE POSSIBILITY OF BANGLADESH, WITH SUPPORT OF THE REST OF THE G-77, SEEKING A NEGOTIATION ON THE BASIS OF THE EC PROPOSAL WITH ALMOST NOTHING IN IT FOR INDIA.

9. US POSITION AT NEXT MEETING. EFFORTS TO HAVE UNCTAD COMPLETE STUDY OF EC PROPOSAL PRIOR TO PREPARATORY MEETING INCLUDING VIEWS OF BANGLADESH AND MAJOR CONSUMERS ARE DESIGNED TO ENABLE BANGLADESH TD ARGUE THAT ALL PRELIMINARY WORK IS OUT OF WAY TO ENABLE CALLING OF NEGOTIATING CONFER-

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ENCE. FINAL VERSION OF EC-TYPE PROPOSAL MAY NOT BE AGREED ON BUT ARGUMENT WILL BE MADE THAT THIS CAN BE RESOLVED IN NEGOTIATIONS. US WILL NEED POSITION ON EC PROPOSAL BEARING IN MIND LACK OF SUPPORT MAY DOOM IT AND PERHAPS BRING ABOUT COLLAPSE OF JUTE DISCUSSIONS. ALSO, US SHOULD BE PREPARED TO JUDGE WHETHER IT CAN PARTICIPATE SELECTIVELY IN THOSE COMMITTEES WITHIN A JUTE COUNCIL DEALING ONLY WITH R&D AND MARKET PROMOTION. END COMMENT. VANDEN HEUVEL

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